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Section des Relations Economiques.

IOD/25474/25414

Genève, le 22 Juin 1931.

Monsieur le Ministre,

J'ai l'honneur d'accuser réception de votre lettre en date du 9 juin par laquelle vous avez bien voulu m'adresser un rapport sur la situation agricole en Egypte.

Je vous remercie vivement de cet intéressant document, et vous prie d'agréer, Monsieur le Ministre, l'assurance de ma haute considération.

Baumont

Son Excellence

Monsieur le Ministre d'Egypte
Légation de S.M. le Roi d'Egypte,
ROME.



LÉGATION
DE S.M. LE ROI D'ÉGYPTÉ
À ROME

N°.394.

2 Annexes.

Rome, le 9 Juin 1931.



Monsieur le Directeur,

Faisant suite à ma lettre du 13 Février dernier N°.113 et en réponse à la votre datée du 1er Juin courant N°.10D/25474/25414., j'ai l'honneur de vous remettre ci-joint, conformément à votre demande, un rapport en langue anglaise, en duplicata, sur la situation agricole en Egypte.

Dans l'espoir que cette note pourra vous intéresser, je vous prie d'agréer, Monsieur le Directeur, les assurances de ma haute considération.

M. Habib

Monsieur Maurice Beaumont.
Directeur de la Sections des
Relations Economiques.
Palais des Nations.

GENEVE.

*II^e volume sur
l'Agriculture*

THE PRESENT AGRICULTURAL SITUATION IN EGYPT

WITH RELATION TO THE WORLD'S CRISIS.

10D/25474/25414

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The present agricultural crisis in Egypt is due in part to local causes which are accentuated by the universal financial crisis.

The fact that increased output, or supply, has surpassed the demand, is the almost unanimously accepted reason of the world crisis, the needs of the individual having been reduced to the absolute minimum and a policy of economy adopted throughout the world. This has reduced the demand for the raw materials of "luxure" products; of which Egyptian cotton is one. An effort towards decrease in the cost of production in order to produce cheaper and more saleable articles, seemed to be the best line of action, but against that were the strong attempts of socialistic and labour concerns to enforce their policy of "keeping up the unnaturally high wages until the cost of living has been reduced to pre-war level".

It is important to realise that in any article of consumption the actual cost of raw material constitutes but a small fraction in the total cost of production, compared to the cost of labour spent in producing the article itself, as well as the charges on all machines, tools and materials used for its production and on the capital employed.

Thus, lack of faith in trade, over-production and the consequent existence of great stocks in the world's markets, together with the direction of effort to producing cheaper articles without any real decrease in the wages, (which constitute the important item in the cost of production) are the main factors causing the world's crisis.

In Egypt, however, the whole story is quite a different one. In the first place it is not an industrial country and

secondly the labour question is, so far, of minor importance. It might be thought that the disastrous consequences of the universal crisis, which in other countries have led to over-production, both of raw material and manufactured articles, ought really to be of benefit to Egypt as a country exporting cotton and importing a considerable part of its requirements and even food stuffs. This, however, is not the case.

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Egypt is an agricultural country and mainly a cotton producing one. Its cotton amounts to 43% of its total agricultural revenue, and 92% of the total exports of the country.

Although Egyptian cotton is unique in its quality, yet it has been partly substituted by other cheaper raw materials. The competition of artificial silk has increased, but, luckily for Egypt, not to an extent that seriously affects the future use of cotton. Thanks to the better durability and strength of the cotton fibres that the displacement is only partial. The increasing skill of manufacturers is enabling better use to be made of cotton; take as an instance, the specialised use of Egyptian cotton in the tyre manufactory where it was though, only a few years ago, that special fabrics for tyres could only be made of long-staple Egyptian cotton, yet Egyptian-Uppers (which is a shorter staple cotton) is now used with success and now Egyptian cotton can be substituted in this industry by cheaper cottons, namely American.

In addition to this evolution in the cotton trade, there are other countries competing with Egypt in producing its fine cotton, which have to ~~be~~ a certain extent been able to supply the world's markets with this material.

This and other factors assisted the slump in cotton prices during the last few years. Egypt produces 7-8 million

kantars (one kantar = 100 lbs) annually which is not far above-pre-war production. According to the statistics of the International Institute of Agriculture, the present world production of cotton shows an increase of 29% over pre-war figures, while in Egypt the increase is estimated at only 10% (United States 34, India 12, and Russia 63). The crops of both 1929 and 1930 were however record-breaking. This together with the heavy carry-over, tended to place Egyptian cotton in a weaker position than American.

The difficulties of the cotton industry in Lancashire are of ~~the~~ greatest concern to Egypt, because a considerable proportion of Egyptian cotton is exported to England, as can be seen from the following table:-

Cotton in Kantars exported to England during five years:

<u>Year</u>	<u>Quantity exported to England.</u>	<u>total</u>	<u>% of total</u>
1926	3,064,000	7,652,190	40 %
1927	2,848,000	6,087,188	47 %
1928	2,897,000	8,067,942	36 %
1929	2,607,000	8,329,454	31 %
1930	2,119,000	8,190,285	26 %

The conditions in Lancashire, however, were usually better among the Egyptian spinners than among the spinners of American cotton; the former exhibited greater strength and prosperity.

Such were the facts which menaced the situation of Egyptian cotton. Moreover, the yield per acre has been tending to fall off except in the last 3 or 4 years when it gradually started rising. This fall is partly due to the displacement of higher yielding varieties of medium quality by a low yielder of good quality; it paid to cultivate the low yielder in the past because of the excellent prices it fetched in the markets, owing to its use in special articles.

The policy generally accepted at present as being the best to adopt is one of mass production. Time will elapse before it is fully executed, but it is very hopeful because with high yields of cotton per acre and the comparatively low wages, Egypt will not be equalled in the world as a cotton producing country.

This new policy is laid down in the decision of the Council of Ministers dated 18th October 1930. It aims at the following objects.

- 1) Reducing the cost of production to make it harmonise with the new trend of prices.
- 2) Increasing the yield per feddan by adopting better methods and applying scientific research to the different branches of production.
- 3) Adopting mass production for the kinds of cotton which are easily saleable and yet are better than ordinary cotton.
- 4) Restricting the cultivation of Sakel to the Northern Districts of the Delta, this being done in order to produce the best qualities and to protect the crop against wilt disease, (fusarium).

Any extension of a monoculture policy is proven undesirable, since it was in full swing when the low yielding cotton was spreading, with its existence depending on its quality and not quantity. Cotton having been the best paying crop to grow, was the only crop the farmer cared for and it received all his attention. When it was not profitable to grow, as was the case last year on account of the low prices, bad moral effect was created and a feeling of depression was general.

The total supply of Egyptian cotton can be adjusted to world demand by growing other crops. In fact, the diversification of Agriculture is a solution recommended of old, but it has not been adopted, owing partly to little progress having

been made in farming methods with other crops, and partly to the rigid character of the old Egyptian tariff system, which came to end only in February 1930.

But the crisis has brought the question of diversification to the forefront. The Government adopted the policy of encouraging wheat growing and is trying to introduce better methods in that branch of agriculture with a view to increasing the yield and diminishing the cost. The area under cereals has been usually about 4 million acres. Of this area only 1,400,000 acres are given to wheat, the average yield of which is 4.75 ardebs per feddan (26 bushels) which is very low considering ^{the} fertility of the soil.

Egypt which was one of the granaries of Europe is now not self-sufficing. It imports yearly not less than 260,000 tons of wheat and flour and a sum L.E.3,290,000 was spent in 1929 on these commodities. The new protective tariff applied since February 1931 will also encourage the cultivation of wheat, because prices will be stabilised, and it is hoped that this policy will render Egypt self-sufficing in its requirements for wheat.

A similar policy has been decided upon as regards the cultivation of sugar cane. On February 11th 1931, a convention was entered upon between the Egyptian Government and the Société des Sucreries et de la Raffinerie d'Egypte according to which the Government undertakes not to allow foreign sugar to compete with the local product in the Egyptian market, while the company on its part undertakes not to import any sugar from abroad unless a deficiency of the local product could be proved to the Government. This undoubtedly will encourage sugar cane plantation.

Thus, the mass production of cotton at a cheaper price and the encouragement of wheat and of sugar cane plantations will put the farmer in a better situation to meet future crises should they occur.

It would not be irrelevant to note also the following causes of the crisis which are peculiar and of a local nature.

a) Some of the landowners are extravagant and not resident on their farms. Thus a good deal of the land is receiving less care in its farming than necessary. The prosperous years encouraged such landowners in their extravagance, and their feeling that they were being forced to give up a life of prosperity and had to content themselves with a life of less expenditure accentuated the effect of the crisis, because no provision has been made by such farmers to safeguard themselves in bad years.

b) Another factor which made the crisis more noticeable this year was the fact that when cotton prices dropped down to a minimum, many cultivators could not pay their debts to the banks, because their total revenue did not cover the expenses entailed by cultivation together with living expenses.

c) Although the cost of labour is not much higher than in pre-war times, yet labourers are tempted to work in big towns where they earn better wages, and those still working on the land are not as zealous as before in turning out good work. Moreover working hours have been reduced, and consequently the amount of work done in a limited time is less, while its quality is not as good as it used to be.

d) The high rents left no margin for the tenant to better his earnings to meet the advance of the standard of living. The land-owners reaped all the profit and spent their money in big towns and abroad. Had the small farmer earned more, he would have lived better and that might have caused more money to circulate in the villages.

e) A very important factor contributing to the present crisis was the intervention of Governments in the cotton market. That intervention resulted in the existence of great stocks of cotton in the country, which disturbed the morale of the cotton trade, and sales were consequently restricted to the immediate demands of the spinners.

f) There has been a steady fall in the fertility of the soil due to many factors of which the most important are over-cropping and lack of proper drainage. Farm yard manure which is the basis of all rational farming in Europe and elsewhere, is used as fuel; thus reducing the amount of organic matter in the soil.

g) The produce is sold generally by the grower at the lowest current prices because the farmer, being in need of money, sells his crop as soon as it has been harvested, or even sooner.

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Having outlined the present agricultural situation in Egypt, it remains to indicate the policy which is being adopted to better it.

In the first place, series of experimental stations are being established in the different parts of the country with a view to demonstrate the benefits that can be attained from improved use of the land, thus inducing farmers to give greater care to their land.

With this aim in view, experiments are being made with the exportation of fruit and vegetables to foreign countries, and the manufacture of preserves, perfumes, etc., and no effort is spared to interest the trade and private capital in these products. With regard to the exportation of fruits and vegetables, one great advantage to Egypt lies in the seasons when

these are most in demand in foreign parts, which, as a rule, fit wonderfully well with the periods of the Egyptian harvests.

In order to overcome the financial difficulties of the farmers, cooperative societies have been started and it is hoped that before long they will become general, thus making a great change for the better in the financial situation of the farmer.

The State Agricultural Bank, which is being created, will also serve as a nucleus for reorganising the credit system in this country. Through this new system of financing the cotton crop much could be achieved, and a better equipment will be available for the field of competition.

Efforts have been started to better the situation of the labourers with a view to securing the maximum amount of good work in a given time, while the use of machinery and modern appliances for better farming will have to be extended.

With regard to the cotton stock remaining in the country, the Government has decided to dispose of it by small quantities not exceeding half a million kantars annually, in order to satisfy the demand for it without affecting the market. Further, a policy of non-intervention for the future has been adopted. By these means, it is hoped to restore faith in the Egyptian cotton trade, leaving prices to be regulated by the normal factors tending to stabilisation.

The charting and investigating of the nature of the soil particularly as to its suitability for different kinds of crops, its content of natural elements of plant food, and the making of these available for different kinds of crops, the requirements of the latter as to the kind and extent of the several kinds of manure, the special adaptation of particular varieties of seed to certain kinds of soils will have to be carried out on an increasingly extensive scale.

It must be born in mind that Egypt is a country in which

the best has not been attained, and that even with the antiquated and careless forms of cultivation employed; comparatively good results are often obtained from its soil, which results, however, are far below what could be produced with the exercise of more care and the use of modern agricultural machinery.

It is hoped that the agricultural policy of the future will open the way to intelligent applications of science to agriculture for the general benefit of the whole of Egypt.

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HR.

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IOD/25474/25414.

Genève, le 1er Juin 1931.

Monsieur le Ministre,

Vous avez bien voulu, par lettre du 13 février (N° 113) faire savoir que vous aviez transmis au Gouvernement Royal d'Egypte le désir de l'Organisation économique de la Société des Nations d'avoir quelques données précises sur la situation agricole en Egypte.

Comme je le disais dans ma lettre du 20 janvier, il s'agit simplement d'une courte note dont les conclusions n'engagent en rien, bien entendu, les Gouvernements. Un premier volume sur la crise agricole sera publié prochainement; mais un second volume paraîtra dans trois mois environ. Nous serions très heureux de pouvoir y faire figurer l'étude en question sur l'Egypte.

Veuillez agréer, Monsieur le Ministre, l'assurance de ma haute considération.

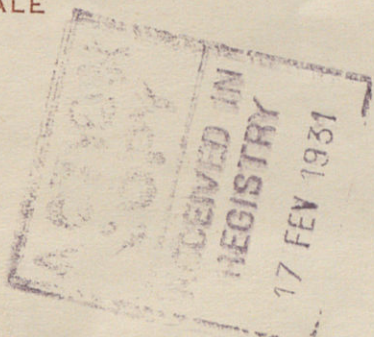
Baumont

Pour le Directeur de la Section
des Relations Economiques.

Son Excellence
Monsieur le Ministre d'Egypte
(Légation Royale d'Egypte)
ROME.

LEGATION ROYALE
D'EGYPTE

No: 113



Rome, le 13 Février 1931.

Monsieur le Directeur,

J'ai l'honneur de vous accuser réception de votre lettre du 20 Janvier écoulé et de vous présenter mes vifs remerciements pour les rapports sur l'agriculture que vous avez bien voulu m'envoyer.

Mon Gouvernement à qui j'ai fait part aussitôt, de votre désir d'avoir quelques données précises sur la situation agricole en Egypte, tout en lui transmettant les dits rapports, m'a chargé de vous demander deux copies supplémentaires de chacun de ces rapports, dont il a besoin pour aider à la rédaction de la note requise.

En vous priant de bien vouloir m'envoyer au plus tôt, ces copies pour me mettre à même de les expédier par le prochain courrier, je saisis l'occasion de vous renouveler, Monsieur le Directeur, les assurances de ma haute considération.

*Documents envoyés
le 16/2/31*

Mahboub

Monsieur Maurice Beaumont.
- Directeur de la Section
Economique
Palais des Nations.

GENEVE.

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Genève, le 20 janvier 1931.

Monsieur le Ministre,

Le Comité économique de la Société des Nations fera paraître un gros rapport sur la crise agricole. En annexe de ce rapport général, il publiera les rapports qui lui ont été envoyés par des experts agricoles sur la situation de l'agriculture dans leur pays. Il serait intéressant d'avoir quelques données un peu précises sur la situation de l'agriculture en Egypte, et je me permets de m'adresser à vous pour vous prier de bien vouloir si possible confier la rédaction de ce rapport à un économiste ou à un expert agricole. Il s'agit simplement d'une courte note d'une dizaine de pages au plus. Toute liberté est laissée aux experts sur la manière de présenter les faits, et leurs conclusions n'engagent en rien, bien entendu, les Gouvernements.

Je vous envoie par le même courrier quelques-uns de ces rapports, notamment ceux qui peuvent vous intéresser le plus.

La question délicate est celle de la date, car on aurait besoin de ces rapports dès le début de mars.

En m'excusant de la liberté que je prends, je vous prie d'agréer, Monsieur le Ministre, l'assurance de ma haute considération.

Son Excellence Sadik Pacha,
Ministre d'Egypte,
ROME.

15/ Baumert

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